

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2692 - SB 2634

May 5, 2020

SUMMARY OF BILL: Changes the method for calculating economic growth, for the purpose of the constitutional cap on annual spending (Copeland Cap), from the projected change in Tennessee personal income, to the changes in Tennessee personal income over the five years immediately preceding the ensuing year averaged with the projected change in Tennessee personal income for the ensuing year.

Excludes funds allocated for capital projects in the general appropriations act from being included as appropriations from state tax revenues except for an amount equal to one-twentieth of the total amount allocated for capital projects or a pro rata amount equivalent to a single year on a twenty-year bond for the total amount allocated for capital projects, whichever is greater.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Passage of this legislation will impact how frequently the General Assembly will be required to enact legislation to authorize the rate of growth of appropriations from state tax revenue to exceed the estimated rate of growth of the state’s economy. Any impact on the amount of funding that will be appropriated from state tax revenue in future years is estimated to be not significant.

Assumptions:

- Article II, Section 24 of the Tennessee Constitution, commonly known as the Copeland Cap, establishes that in no year shall the rate of growth of appropriations from state tax revenues exceed the estimated rate of growth of the state’s economy. Further, no appropriation in excess of this limitation shall be made unless the General Assembly sets forth, by law containing no other subject matter, the dollar amount and the rate by which the limit will be exceeded.
- Pursuant to Tenn. Code Ann. § 9-4-5201, the estimated rate of growth of the state’s economy is based upon the projected change in Tennessee personal income.
- In recent years, the General Assembly authorized appropriations from state tax revenues to exceed the estimated growth of the state’s economy as follows:
 - By \$250,000,000, or 2.01 percent, for FY11-12;
 - By \$132,500,000, or 1.00 percent, for FY12-13; and
 - By \$438,000,000, or 2.85 percent, for FY16-17.

- Simple majority in both houses of the General Assembly is required to enact such legislation. In recent years, no efforts to enact legislation authorizing appropriations to exceed the estimated growth of the state's economy have failed.
- Changing the method for calculating economic growth, as proposed by this legislation, will not impact the amount of appropriations authorized in future years. The proposed legislation will only impact how frequently the General Assembly will be required to enact a law setting forth the dollar amount and the rate by which state appropriations exceed the estimated rate of growth of the state's economy.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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